COMPANY RESULTS

Sunway REIT (SREIT MK)

2Q25: Results In Line; Cautious 2H25 Outlook

SREIT posted in-line results. Management maintained its mid-single-digit rental reversion guidance for 2H25 (1H25: low-teens), with concerns over inflationary pressures as 2Q25 sales per sf was down 5% yoy. Nevertheless, we expect the retail segment to remain resilient, supported by higher contributions from the new asset acquisition and full quarter contribution from Sunway Carnival Mall. Hotel occupancy is expected to pick up in 3Q25 due to the summer holidays. Maintain HOLD. Target price: RM2.05.

2Q25 RESULTS

Year to 31 Dec (RMm)	2Q25	1Q25	qoq % chg	yoy % chg	1H25	yoy % chg
Gross revenue	**211.4**	**218.9**	**(3.4)**	**20.4**	**430.3**	**21.5**
Retail	160.0	168.4	(5.0)	29.4	328.4	31.3
Hotel	16.7	16.1	3.9	(12.9)	32.9	(14.3)
Office	20.4	20.4	(0.3)	(2.2)	40.8	(3.1)
Others	14.3	14.0	2.2	20.8	28.2	19.3
Operating expenses	(56.5)	(61.7)	(8.4)	22.1	(118.2)	25.3
Net Property Income	**154.9**	**157.2**	**(1.5)**	**19.8**	**312.1**	**20.1**
Retail	114.1	116.8	(2.3)	32.4	230.9	33.4
Hotel	15.6	15.0	4.1	(15.8)	30.5	(16.6)
Office	12.2	12.4	(1.2)	(6.1)	24.6	(8.5)
Others	13.0	13.0	(0.4)	11.9	26.0	12.2
Core Net Profit	**102.4**	**104.3**	**(1.9)**	**29.7**	**206.7**	**24.6**
EPU (sen)	3.0	3.0	(1.9)	29.7	6.0	24.6
DPU (sen)	5.7	0.0	n.m.	21.9	5.7	21.9

Source: Sunway REIT, UOB Kay

RESULTS

- **In line.** Sunway REIT (SREIT) reported a 2Q25 revenue of RM211m (-3.4% qoq, +20.4% yoy) and core net profit of RM102m (-1.9% qoq, +29.7% yoy). This brings 1H25 core net profit to RM207m (+24.6% yoy), accounting for 52% of our and consensus full-year forecasts respectively, which we deem in line with expectations.
- **Gearing ratio stood at 41.2% as at end-Jun 25** (vs 41.8% as at end-Mar 25). Gearing is expected to normalise to about 38% as the disposal of Sunway University & college campus (for RM613m) is expected to be completed in 3Q25.

KEY FINANCIALS

Year to 31 Dec (RMm)	2023	2024	2025F	2026F	2027F
Net turnover	704.5	756.9	817.6	860.3	902.4
Operating profit	515.8	559.4	605.0	636.6	667.7
Net profit (rep./act.)	338.2	524.8	398.2	423.0	438.4
Net profit (adj.)	339.1	354.2	398.2	423.0	438.4
EPU (sen)	9.9	10.3	11.6	12.4	12.8
DPU (sen)	9.3	10.0	10.5	11.2	11.6
PE (x)	21.7	20.8	18.5	17.4	16.8
P/B (x)	1.4	1.4	1.4	1.4	1.4
DPU Yld (%)	4.3	4.7	4.9	5.2	5.4
Net margin (%)	48.1	46.8	48.7	49.2	48.6
Net debt/(cash) to asset (%)	34.9	33.7	38.7	41.3	44.1
Interest cover (x)	3.7	3.4	3.7	3.7	3.6
Consensus DPU (sen)			11.1	11.6	12.1
UOBKH/Consensus (x)			0.9	1.0	1.0

Source: Sunway REIT, Bloomberg, UOB Kay Hian

HOLD

(Maintained)

Share Price	RM2.15
Target Price	RM2.05
Upside	-4.6%

COMPANY DESCRIPTION

Sunway Real Estate Investment Trust invests in retail, office, and hotel properties.

STOCK DATA

GICS sector	Real Estate
Bloomberg ticker:	SREIT MK
Shares issued (m):	3,424.8
Market cap (RMm):	7,363.3
Market cap (US$m):	1,740.5
3-mth avg daily t'over (US$m):	2.1

Price Performance (%)

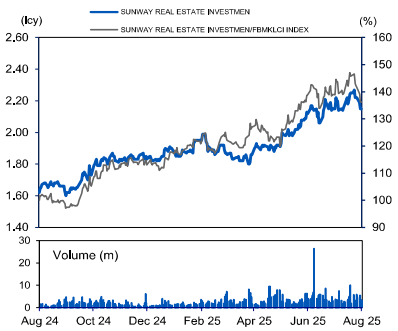
52-week high/low RM2.32/RM1.59

1mth	3mth	6mth	1yr	YTD
0.0	12.0	10.3	33.5	16.2

Major Shareholders	%
Sunway Bhd	40.9
Employees Provident Fund	15.7
Kumpulan Wang Persaraan	6.0

FY25 NAV/Share (RM)	2.35
FY25 Net Debt/Share (RM)	1.87

PRICE CHART



Source: Bloomberg

ANALYST(S)

Ng Jo Yee
+603 2147 1984
joyee@uobkayhian.com

STOCK IMPACT

- **Retail: Cautious outlook for 2H25.** 2Q25 retail revenue rose 29% yoy due to full-quarter rental contributions from asset acquisitions, and higher revenue from Sunway Pyramid Mall with the opening of Oasis Wing on 1 Nov 24. As a result, 2Q25 net property income (NPI) margin for the retail segment grew to 71.3% (2Q24: 69.7%). Despite achieving a low-teens rental reversion in 2Q25 (vs high single-digit to teens in 1Q25), management remains cautious about the 2H25 outlook due pressures from the expanded sales and services tax (SST) and maintained its rental reversion guidance of a mid-single-digit growth for 2H25. This translates to a high-single-digit rental reversion for 2025. Looking ahead, the quarterly NPI run rate should improve due to the full-quarter contribution from the full reopening of Sunway Carnival Mall on 7 May 25, with current occupancy rate nearing 100%.
- **Hotel: Weaker 2Q25 demand but seeing improvements due to summer holidays.** 2Q25 hotel revenue declined 13% yoy due to softer occupancy (-2ppt yoy to 60%) and lower average room rates (-1% yoy) for hotels in Klang Valley. This is due to new competition, fewer one-off events, and temporary closures of multiple Middle Eastern airspaces in Jun 25. Nevertheless, management sees improving occupancy from Jul 25 onwards due to the summer holidays.
- **Office: Expected to stay stable.** The yoy drop in 2Q25 office revenue (-2% yoy) and NPI (-6% yoy) was due to a lower occupancy rate (-2ppt yoy to 82%). Specifically, the lower occupancy rate for Sunway Putra Tower (-6ppt yoy to 67%) is expected to improve to near 80% by 2H26. Despite an increasing supply of office spaces in 2025-26, management expects its office segment to remain resilient, cushioned by ongoing asset enhancement initiatives, including air conditioning systems, lifts and transformers.

EARNINGS REVISION/RISK

- No change to earnings forecasts.

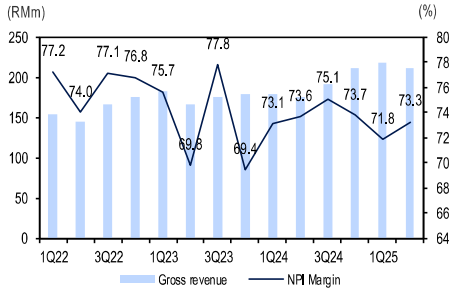
VALUATION/RECOMMENDATION

- **Maintain HOLD with an unchanged target price of RM2.05.** Our DDM-based target price is based on a required rate of return of 7.5% and implied 2026 dividend yield of 5.5%.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

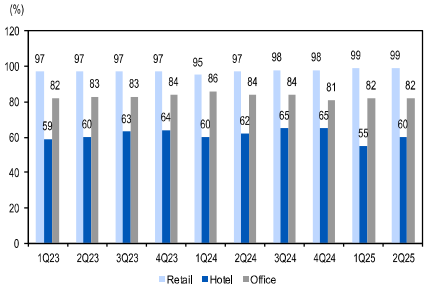
• **Environmental**
- SREIT aims to achieve Net Zero Carbon Emissions by 2050.
- Established internal carbon pricing framework at RM15 per tonne of CO2 emitted.
• **Social**
- Established a Sustainability Policy and a Donations, Sponsorships and Corporate Responsibility Policy to guide the execution of sustainability as well as its commitment towards contributing to the communities.
- Formed an Occupational, Health, Safety and Environment Committee at the business segment level.
• **Governance**
- About 43% of the Board of Directors are women.
- Adopted the Anti-Bribery and Corruption Policy and Procedure and is further supported by the existing Whistleblowing Policy and Procedures.

REVENUE AND NPI MARGIN



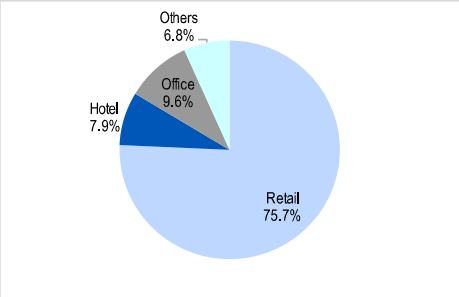
Source: SREIT, UOB Kay Hian

OCCUPANCY



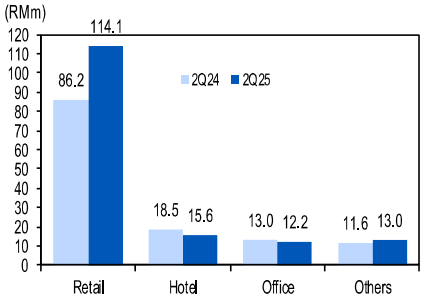
Source: SREIT, UOB Kay Hian

REVENUE BREAKDOWN



Source: SREIT, UOB Kay Hian

NPI CONTRIBUTION BY SEGMENT



Source: SREIT, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Net turnover	**756.9**	**817.6**	**860.3**	**902.4**
EBITDA	559.4	605.0	636.6	667.7
Deprec. & amort.	0.0	0.0	0.0	0.0
EBIT	559.4	605.0	636.6	667.7
Total other non-operating income	(38.6)	(41.5)	(43.3)	(45.0)
Net interest income/(expense)	(166.6)	(165.3)	(170.3)	(184.3)
Pre-tax profit	**527.7**	**398.2**	**423.0**	**438.4**
Tax	(2.9)	0.0	0.0	0.0
Net profit	**524.8**	**398.2**	**423.0**	**438.4**
Net profit (adj.)	354.2	398.2	423.0	438.4

BALANCE SHEET

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Fixed assets	10,401.5	10,671.5	10,941.5	11,211.5
Other LT assets	70.6	70.6	70.6	70.6
Cash/ST investment	289.8	261.3	234.6	209.6
Other current assets	40.8	136.8	160.1	327.9
Total assets	**10,802.6**	**11,140.2**	**11,406.8**	**11,819.6**
ST debt	1,736.7	2,136.7	2,536.7	2,936.7
Other current liabilities	341.7	247.8	260.7	273.4
LT debt	2,835.5	2,835.5	2,835.5	2,835.5
Other LT liabilities	16.6	48.2	(98.1)	(98.1)
Shareholders' equity	5,872.0	5,872.0	5,872.0	5,872.0
Total liabilities & equity	**10,802.6**	**11,140.2**	**11,406.8**	**11,819.6**

CASH FLOW

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Operating	**543.8**	**605.0**	**636.6**	**667.7**
Pre-tax profit	770.8	817.6	860.3	902.4
Deprec. & amort.	0.0	0.0	0.0	0.0
Working capital changes	(246.3)	(212.6)	(223.7)	(234.6)
Other operating cashflows	19.3	0.0	0.0	0.0
Investing	**(1,209.8)**	**(270.0)**	**(270.0)**	**(270.0)**
Capex (maintenance)	(312.9)	(200.0)	(200.0)	(200.0)
Investments	(911.0)	0.0	0.0	0.0
Proceeds from sale of assets	(70.0)	(70.0)	(70.0)	(70.0)
Others	84.2	0.0	0.0	0.0
Financing	**530.5**	**(363.5)**	**(393.3)**	**(422.7)**
Distribution to unitholders	(319.9)	(398.2)	(423.0)	(438.4)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	7,179.0	200.0	200.0	200.0
Loan repayment	(6,318.6)	0.0	0.0	0.0
Others/interest paid	(10.0)	(165.3)	(170.3)	(184.3)
Net cash inflow (outflow)	**(135.5)**	**(28.5)**	**(26.7)**	**(25.0)**
Beginning cash & cash equivalent	**425.3**	**289.8**	**261.3**	**234.6**
Changes due to forex impact	0.0	0.0	0.0	0.0
Ending cash & cash equivalent	**289.8**	**261.3**	**234.6**	**209.6**

KEY METRICS

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	73.9	74.0	74.0	74.0
Pre-tax margin	69.7	48.7	49.2	48.6
Net margin	69.3	48.7	49.2	48.6
ROA	5.3	3.9	4.1	4.2
ROE	9.3	7.0	7.5	7.7
Growth				
Turnover	15.4	24.6	31.1	37.6
EBITDA	27.9	38.3	45.5	52.6
Pre-tax profit	171.1	104.6	117.3	125.2
Net profit	168.4	103.7	116.4	124.3
Net profit (adj.)	4.5	12.4	6.2	3.6
EPU	4.5	12.4	6.2	3.6
Leverage				
Debt to total capital	77.9	84.7	91.5	98.3
Debt to equity	77.9	84.7	91.5	98.3
Net debt/(cash) to equity	72.9	80.2	87.5	94.7
Interest cover (x)	3.4	3.7	3.7	3.6

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